

Issue Brief



Employment and Social Services Policy Studies
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Using Regional Skill Partnerships to Address Skill Shortages and Promote Job Retention and Career Advancement for Low-Income Workers

Summary

Since the passage of federal welfare reform legislation in 1996, a robust economy and new work-oriented policies have helped many welfare recipients enter the workforce. However, many former welfare recipients continue to face significant barriers to job retention and career advancement, including frequent job loss and lack of the basic and technical skills required for success in a knowledge-based economy. A key challenge for states is to help former welfare recipients and other low-income workers retain jobs and advance in the workforce over time.

To meet this challenge, several states are implementing public-private partnerships that support skill development and advancement for workers needed in a region's most vibrant industries. These partnerships, called Regional Skill Partnerships (RSPs), are consortia of firms, educational institutions and other community partners that tackle common problems facing a targeted industry in a region. RSPs provide a promising vehicle for preparing unemployed and low-income workers for entry-level and higher-level jobs in an industry, upgrading the skills of incumbent workers, and tackling industry-based skill shortages. Leading partnerships across the country are helping low-income/low-skilled workers keep jobs and advance in the workforce by:

- Providing industry-focused training leading to relatively high-wage jobs;
- Designing training that supports skill development and career advancement;
- Increasing low-income workers' awareness of new jobs and opportunities;
- Designing job ladders delineated by industry skill standards; and
- Providing post-employment support, including counseling and mentoring services.

Key lessons that emerge from the experience of these partnerships are:

- Use sound labor market and economic analysis as the basis for identifying target industries and employers;
- Avoid duplicating the functions of existing institutions in the community, such as local workforce development boards and other public-private partnerships;
- Support industry partnerships with strong staff capacity; and
- Build partnerships where there has been prior collaboration among firms within an industry.

This *Issue Brief* describes the potential role of regional skill partnerships in promoting job retention and advancement of low-income workers and outlines the steps that state leaders can take to encourage development of such partnerships. It focuses on four existing regional partnerships, most of which have received federal demonstration grants.

Economic Challenges Facing Low-Income Workers

In the knowledge-based economy that has emerged in the last 25 years, newly employed welfare recipients and other low-income workers face two significant economic challenges:

- First, low-skilled workers experience higher job turnover than more highly educated workers. Not surprisingly, low-wage workers are more likely to be employed in industries with higher than average turnover, such as retail trade and business services. Although “job churning” can benefit some workers, it generally imposes heavy costs on unskilled workers, including extended unemployment after job changes and reduced annual earnings.¹
- Second, many welfare recipients and low-income workers lack skills needed to move from low-wage entry-level positions into higher-paying jobs. According to a recent report from the Educational Testing Service, the majority of new jobs to be created by 2006 will demand workers with at least some postsecondary education. Yet, only one-third of welfare recipients have skills required for the bulk of these fast-growing jobs. Another one-third of welfare recipients have minimal skills similar to those of a high school dropout and will require about two years of full-time education and training to attain the basic skill levels expected of a high school graduate.²

Relatively high job turnover and limited skills are formidable economic challenges facing welfare recipients and other low-income workers. To address these challenges, states must devise new strategies to promote job retention, skill development and career advancement opportunities for those workers. Since the time limits on cash assistance may prevent many individuals from cycling back onto welfare if they lose their jobs, states are under increased pressure to help all workers acquire the tools needed to advance in the labor market.³

What Are Regional Skill Partnerships

In recent years, Regional Skill Partnerships (RSPs) have emerged as a promising vehicle for helping low-income, less-skilled workers retain employment and move into higher-paying jobs. RSPs are public-private partnerships that promote the competitiveness of employers and encourage skill acquisition and advancement for all workers in the knowledge-based economy. In essence, they are industry-based consortia bringing together firms, educational institutions and other community partners to address common problems facing an industry, such as skill shortages and lack of career pathways for low-skill/low-wage workers.⁴ For example, a group of firms in an industry, community colleges and other partners may collaborate to establish joint training programs for entry-level workers or an apprenticeship program for young people.

RSPs provide a strategy for addressing industry-based skill shortages, upgrading the skills of incumbent workers and preparing unemployed and low-income workers for entry-level and higher-level jobs in an industry. Key advantages of RSPs are⁵:

- They promote collaboration among firms within an industry and region. By working together and pooling resources, firms identify and implement joint solutions to skill shortages and other workforce needs. Partnerships support the development of regional training capacity for small and medium-sized businesses as well as large businesses.
- They bridge the gap between the public and private sectors. Since partnerships create an infrastructure for solving problems within an industry, they provide an effective forum for communicating the needs of business to local educational institutions as well as a forum for integrating broader public sector responses to industry problems.
- They go beyond traditional supply-side approaches, which focus on the needs of workers and training institutions, to demand-side approaches, which address employers' core economic needs. RSPs provide a forum for defining and articulating the unique needs of employers in a specific industry. They also respond to the changing needs of employers in the knowledge-based economy. RSPs can develop quick solutions to short-term problems as well as provide ongoing capacity to address long-term issues. RSPs also are well positioned to collect and disseminate real-time information on industry conditions, skill shortages and the outlook for the future.
- And these partnerships organize employers and other partners on a regional basis that matches the natural boundaries of economic activity, thus providing a forum for solving regional economic problems that cut across traditional boundaries.

Although these public-private partnerships tend to be new, they generally build on and are linked to existing institutions in the region. Some RSPs, such as the **Eastern Washington Agriculture and Food**

How States Can Promote Regional Skill Partnerships

- *Define the role of regional skill partnerships in a state workforce development system*
- *Recruit employers in key sectors as well as public partners*
- *Provide incentives, such as seed funds, to launch pilot partnerships*
- *Take partnerships to scale across the state by defining key industry sectors in different regions, developing skill standards and providing other support*
- *Redirect existing funding streams to support emerging partnerships*
- *Evaluate their success and disseminate lessons learned*

Processing Partnership, include representatives from local workforce development boards. Other RSPs receive considerable financial and other support from local workforce development boards and public agencies. They also may include and support public one-stop career centers and other intermediary organizations that directly connect employers with jobseekers. For example, the **Metro Phoenix Consortium** is working with one-stop career centers and community-based organizations to recruit and assess individuals for industry-based training. These and other RSPs benefit existing institutions by organizing input from key industry players and providing reliable information on emerging industry trends.

Since they are designed to address industry concerns over the short or long term, RSPs often have a formal governance structure. Some partnerships have a joint labor-management governance structure in which both employers and labor unions have an equal voice on major issues. The **Eastern Washington**

Agriculture and Food Processing Partnership, for example, has strong representation from industry associations and labor unions. Others, such as the **Metro Phoenix Consortium**, are largely driven by industry employers, though they also include educators and government officials.

The organizational structure of RSPs generally reflects the goals and needs of local partners. Some partnerships are organized as separate legal entities and have independent staff. For example, the

Wisconsin Regional Training Partnership is a not-for-profit organization with about 10 professional staff members. Others are more loosely organized and draw upon borrowed staff from industry associations, government offices or education and training institutions. Most rely on a variety of funding sources, such as membership dues, government and foundation grants and in-kind contributions from partners.

How Regional Partnerships Are Promoting the Advancement of Low-Income Workers

RSPs tend to employ a variety of strategies to address pressing industry concerns. For example, the Eastern Washington Agriculture and Food Processing Partnership is developing skill standards for entry-level workers, training incumbent workers and responding to critical skill gaps. Other partnerships have been involved in attracting potential workers, such as high-school age youth, to the industry. In many cases, preparing low-income workers for jobs in the industry is one of many strategies that RSPs use to build a pipeline of qualified workers. In some cases, however, targeting low-income workers for job opportunities dovetails with a broader social or public policy agenda.

RSPs offer a number of advantages in helping low-income workers connect with the mainstream labor market and advance in the workforce. First, they provide access to jobs in targeted industries that are growing, pay relatively high wages and offer benefits as well as opportunities for advancement. Second, since partnerships engage multiple employers in joint training ventures rather than one-on-one arrangements, they increase access to the training and skill development available to low-income individuals. Third, they stimulate industry-wide training, which is likely to be more portable and to provide more advancement opportunities for workers than firm-specific skill development.⁶

Partnerships across the country have crafted innovative approaches to promoting the job retention, skill development and career advancement of low-income workers. Listed below are several promising approaches.

Providing Industry-Focused Training Leading to High-Paying Jobs

Regional skill partnerships have created training programs closely attuned to the skill needs of targeted industries. For example, the **Wisconsin Regional Training Partnership**, in partnership with the Milwaukee Jobs Initiative, has designed a training program that prepares low-income, central city residents for relatively high-paying jobs in manufacturing. Most participants, who are selected initially by local manufacturing employers, generally participate in the following activities:

- a two-day training provided by W RTP that introduces participants to essential skills in manufacturing;
- a four-week standardized curriculum (called Entry Level Manufacturing Skills) offered by Milwaukee Area Technical College, which provides instruction in reading, writing and math skills as applied in a manufacturing setting;
- and, in some cases, customized training tailored to industry needs.

Participants who complete the program earn an average starting wage of more than \$10 per hour. In addition, each participant receives full benefits, including health insurance, pension, vacation and tuition assistance.

Designing Training that Supports Skill Development and Advancement

In Wisconsin, the **Jobs with a Future Partnerships** created an innovative training program in phlebotomy that provides a new career pathway for low-wage health care workers. This program was designed to address two issues in the local health care labor market: first, that certified nursing assistants in Dane County were often stuck in low-wage positions with limited opportunities for advancement; and second, that local health care providers were experiencing a shortage of phlebotomists. To address these problems, the partnership established a six-week training program in phlebotomy offered in the evening at the Madison Area Technical College. At the end of the training, certified nursing assistants are able to move into entry-level phlebotomist positions in laboratories or other facilities and are likely to receive increased wages and improved working conditions. At the same time, the program increases the supply of phlebotomists for local health care providers.

Making Low-Income Workers Aware of New Jobs and Opportunities

Regional partnerships have designed new strategies for linking low-income workers with opportunities for advancement. The **Jobs with a Future Partnerships** in Wisconsin worked closely with the local one-stop career center (known as a Job Center in Wisconsin) to establish the “Upward Mobility” initiative. Local Job Center counselors identify low-income, individuals, particularly those receiving Food Stamps and medical assistance, who work in entry-level positions. Counselors then provide information on how to advance to jobs with higher wages and benefits. The partnerships also have developed a directory that charts jobs and advancement opportunities within about thirty local firms.

Developing Job Ladders Delineated by Industry Skill Standards

Some regional partnerships are developing job ladders—clearly defined career pathways that offer the potential for wage progression within a targeted industry. The **Eastern Washington Agriculture and Food Processing Partnership**, which received both federal and state funding, is designing a job ladder for new and incumbent workers as part of a training initiative. A sample job ladder has been developed for the Food Processing industry. This and other existing models will be used to develop a more elaborate and detailed job ladder that demonstrates how an entry-level worker can advance within the agriculture and food processing industry by meeting specified skill standards that reflect the precise skill requirements of industry employers.

Providing post-employment counseling and mentoring services

Regional partnerships also have used on-site mentors to aid the transition of low-income workers into the workplace. The **Wisconsin Regional Training Partnership**, for example, has implemented an on-site mentoring program that depends on the support and active involvement of incumbent workers and labor unions. Mentors act as peer advisors to the new workers, introducing them to other workers and helping them solve any problems that arise. According to partnership officials, the on-site mentoring program has reduced turnover and absenteeism among new workers.

Most of these approaches are still experimental and require further elaboration. It also is not clear how well these industry-based models will fare during an economic downturn. Nevertheless, even at this point, they show promise in creatively connecting low-income workers with new jobs and training that can lead to career growth.

Indiana's Business Skill Alliances

Regional skill partnerships have existed for years in Indiana. Firms in some industries, such as plastics and tool and die manufacturing, have joined forces to recruit young people or train skilled workers. State policymakers now plan to use these existing partnerships as models for new "business skill alliances" designed to identify and prepare low-income workers for skilled jobs that provide self-sufficiency. The goal is to tap welfare recipients and other low-income workers who face difficulties in advancing beyond low-wage jobs to fill shortages of middle-level, skilled jobs that exist in Indiana. The state has selected six pilot communities in which business skill alliances will be formed. Current plans call for a facilitator with experience in the industry to convene the firms experiencing the shortages. Each alliance will identify occupations in demand and develop a computerized skill matrix specifying the skill sets required by employers. Low-income workers will be assessed to determine whether they have the requisite skills and be matched with training providers who can prepare workers just-in-time to meet employer requirements. Indiana will implement performance measures for the skill alliances and conduct a formal evaluation of the demonstration project.

How States Can Promote Regional Skill Partnerships

Many regional skill partnerships profiled in this issue brief have benefited from strong state leadership, support and guidance. In fact, some would not have been launched without active encouragement from top state leaders. As many of these examples demonstrate, states can become catalysts for initiating and promoting regional skill partnerships. Key state roles include:

- Defining the role of regional skill partnerships in the knowledge-based economy and in a statewide workforce development system;
- Recruiting employers in key sectors and public partners;
- Providing incentives, such as seed funds, to launch pilot partnerships;
- Taking partnerships to scale across the state by defining key industry sectors in different regions, developing skill standards and providing other support;
- Redirecting existing funding streams to support emerging partnerships; and
- Evaluating the success of partnerships and disseminating lessons learned.

Defining the role of regional skill partnerships in the knowledge-based economy and in a state workforce development system

State leaders can provide a vision for the role of regional partnerships in addressing skill gaps and supporting continued economic growth and competitiveness. In the state of **Washington**, Gov. Gary Locke identified regional partnerships as a key strategy for addressing skill shortages that are hampering the state's economic growth. He helped initiate partnerships in two strategic industries—agriculture and information technology—and is encouraging the development of other consortia. In **Wisconsin**, the Governor's Commission on a Quality Workforce, appointed in the early 1990s, offered a crucial endorsement of the concept of regional consortia dedicated to skill development and high-performance workplaces. Following the endorsement, the chair of the state-level commission, Carl Weigell, participated in the early discussions that led to the launch of the Wisconsin Regional Training Partnership, one of the earliest regional partnerships in the nation.⁷

Recruiting employers and public partners

Governors can use their influence to persuade employers to participate. State leaders can meet with and recruit business leaders in the sectors targeted by different regions within the state. They also can encourage statewide business associations and representatives as well as labor unions to play a role. Moreover, governors can help local workforce development boards form industry-based consortia within the state and across state lines.

Providing incentives to support pilot partnerships

States can both provide and assemble funding from a variety of sources to launch pilot regional partnerships. Again in **Washington**, Gov. Gary Locke contributed \$500,000 from the state's 15 percent discretionary funds under Title I of the Workforce Investment Act to support the Eastern Washington Agriculture and Food Processing Partnership. Half of the funds will be used for direct training for incumbent workers. The other half will be used to enroll 50 low-income workers in a pilot training program under a federal demonstration grant that the partnership received and to create sustainability for these new programs after the demonstration grant expires. In addition, the state legislature in 2000 approved \$600,000 for a SKILLS (Securing Key Industry Leadership for Learning Skills) project that promotes the development of public-private partnerships focused on addressing the skill needs of targeted industries. To date, seven grants have been awarded to partnerships in the construction, biomedical, health and allied services, boat manufacturing and software support, food processing and manufacturing sectors.

Taking partnerships to scale across the state by creating the conditions for their growth and development

Once pilot partnerships demonstrate success, state leaders can take them to scale across the state by defining key industry sectors in different regions, developing industry-based skill standards, and supporting the development of partnerships in other ways. **Arizona**, for example, has taken the lead in defining industry clusters and the skills needed by employers in some of those clusters. Since 1990, Arizona has pursued a cluster-based economic development strategy to attract and retain industries that create high-quality jobs and benefit the broad economy. Arizona's eleven industry clusters, which include high-tech, optics and software, are defined as "geographic concentrations of interdependent competitive firms that do business with each other."⁸ Each cluster includes a network of export firms and their major suppliers and support firms. The Arizona Department of Commerce recently completed an analysis to determine the critical skills needed by employers in the high-tech industry cluster. The analysis identified a range of basic academic (reading, writing, math) and application skills (defined as observable and measurable attributes). This cluster study will provide an important resource to a regional skill partnership called the Metro Phoenix Consortium as it begins designing new training curriculum for low-income and other workers.

Redirecting existing funding streams to support the work of regional partnerships

State leaders can combine existing funding streams in creative ways to support the work of regional partnerships. One strategy is to ensure that state-funded customized training programs encourage training by groups or consortia of firms organized by industry. This step will provide emerging partnerships with access to a flexible funding stream. States also can draw upon other sources of funding, including the 15 percent funds under WIA, TANF and the new federal grants supported by collection of H-1B visa fees.

In **Indiana**, a variety of funding sources are supporting the development of regional skill partnerships. For many years, the primary source of funding for partnerships was the Strategic Development Fund operated by the Department of Commerce. The SDF was used to support networks of manufacturers who wished to work together to solve common problems. In recent years, state leaders have identified new sources of funding for regional skill partnerships. A state team plans to use “business skill alliances” to identify and prepare welfare recipients and low-income workers for skilled jobs that provide self-sufficiency. These alliances, which bring together employers facing shortages of middle level, skilled workers, are expected to use TANF and a variety of other funding sources to provide training and support services to low-income workers. In addition, the Indiana Department of Workforce Development is using 15 percent discretionary funds under WIA to establish regional skill alliances composed of small and medium size businesses. Local workforce development boards formed under WIA apply for grants of up to \$300,000, which must be used to support multi-firm training leading to attainment of a skill credential.

Evaluating the success of regional partnerships and disseminating lessons learned

States can devise an accountability framework for measuring the success of regional partnerships. A key component of **Indiana**’s strategy is to develop performance measures for “business skill alliances,” including:

- Retention of low-income workers in employment
- Percentage of low-income workers hired
- Time needed to fill positions
- Cost savings to employers

In addition, Indiana plans to contract with Abt Associates after the first year of the pilot project to conduct a thorough evaluation of the new model.

States also can play a pivotal role in disseminating lessons learned from successful regional partnerships. In **Wisconsin**, the Department of Workforce Development commissioned a report and technical assistance guide called *High Performance Partnerships* to encourage the growth and replication of industry-focused partnerships. The report describes the rationale for establishing a partnership and includes a step-by-step approach to launching one. The Department also sponsored a statewide conference featuring some promising regional examples.

A Few Lessons for Forming Regional Partnerships

As states move ahead in forming regional skill partnerships, they should apply a few lessons based upon the experience of leading industry consortia:

- *Use sound labor market and economic analysis as the basis for identifying target industries and employers*

A careful analysis of the regional labor market and economy is a crucial first step in launching an industry-based partnership. Such an analysis identifies the industries or economic sectors that drive the region’s economic growth both in the short and long term. It also can suggest those industries likely to experience recruitment, retention, skill upgrading and other human resource development challenges. A sound analysis will ensure that partnerships are built on a firm foundation.⁹

- *Avoid duplicating existing institutions in the community*
Regional skill partnerships can add value to existing institutions, such as local workforce boards, school-to-work partnerships and other business-education consortia. Yet, it is important to coordinate efforts to avoid duplication of training and other workforce development services. One coordination strategy is to include representatives from industry-based partnerships as members of local workforce development boards.¹⁰
- *Support industry partnerships with strong staff capacity*
Leading regional skill partnerships, such as the Wisconsin Regional Training Partnership, owe some of their success to strong staff capacity. Some partnerships have independent staff. Others draw upon staff borrowed from industry associations, government offices or education and training institutions. Whatever the arrangement, staff play an important role in analyzing the industry, monitoring trends and new developments and facilitating the work of the partners.¹¹
- *Build partnerships where there has been prior collaboration among firms*
Promoting collaboration among firms, especially within an industry or related industries, is a difficult challenge, given competitive economic pressures in the marketplace. State leaders can maximize the likelihood of success by cultivating partnerships in regions and among firms that have prior experience with collaboration.

End Notes

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- ² Anthony Carnevale and Kathleen Reich, *A Piece of the Puzzle: How States Can Use Education to Make Work Pay for Welfare Recipients*, (Princeton, N.J.: Educational Testing Service, 2000).
- ³ Rebecca Brown et. al, *Working Out of Poverty: Employment Retention and Career Advancement for Welfare Recipients* (Washington, D.C.: National Governors Association, 1998) and Susan Golonka, "Strategies to Promote Education, Skill Development and Career Advancement Opportunities for Low-Skilled Workers" (Washington, D.C.: National Governors Association, 1998).
- ⁴ Employment and Training Administration, Office of Adult Services, *Conducting a Community Audit* (Washington, D.C.: U.S. Department of Labor, 2000) and Wisconsin Department of Workforce Development, *High-Performance Partnerships* (Madison, Wisc.: Department of Workforce Development 1999)
- ⁵ Information on the advantages of RSPs is drawn from the following sources: Wisconsin Department of Workforce Development, and Robert Atkinson, *Building New Skills for the New Economy: Regional Skill Alliances* (Washington, D.C.: Progressive Policy Institute, 1998).
- ⁶ Robert McPherson, Donald Long and Shao Chee Sim, *Engaging Employers in Public Workforce Efforts in Texas* (Austin, Tex.: Center for the Study of Human Resources, 1997)
- ⁷ Phil Neuenfeldt, and Eric Parker, Wisconsin Regional Training Partnership: Building the Infrastructure for Workplace Change and Skill Development (Washington, D.C.: Human Resources Development Institute, 1996).

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- ⁹ Robert McPherson, "Industry-Led Approaches to Addressing Labor Market Imbalances" (presentation delivered at the 2000 NGA Policy Forum, Dearborn, Mich., 2000)
- ¹⁰ Wisconsin Department of Workforce Development.
- ¹¹ Wisconsin Department of Workforce Development.